

§ 159B-23. Limited liability.

(a) Bonds shall be special obligations of the municipality or joint agency issuing them. The principal of, premium, if any, and interest on the bonds shall not be payable from the general funds of the municipality or joint agency. Bonds issued to pay the cost of a project and, except as provided in this subsection, bonds that are not issued to pay the cost of a project shall not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the municipality's or joint agency's property or upon any of its income, receipts, or revenues, except the funds pledged under the resolution authorizing the bonds or the trust agreement securing the bonds. Bonds that are not issued to pay the cost of a project and that are secured by a pledge, assignment, mortgage, or grant of a security interest in property shall constitute an encumbrance on the municipality's or joint agency's property as provided in the resolution authorizing the bonds or the trust agreement securing the bonds.

(b) Neither the faith and credit nor the taxing power of a municipality or of the State are, or may be, pledged for the payment of the principal of or interest on bonds, and no holder of bonds shall have the right to compel the exercise of the taxing power by the State or a municipality. No holder of bonds issued to pay the cost of a project shall have the right to compel the forfeiture of any of the municipality's or joint agency's property in connection with any default on the bonds. A holder of bonds that are not issued to pay the cost of a project and that are secured by a pledge, assignment, mortgage, or grant of a security interest in property may compel the forfeiture of the property to the extent allowed in the resolution authorizing the bonds or the trust agreement securing the bonds.

(c) Every bond issued to pay the cost of a project shall recite in substance that the principal of and interest on the bond is payable solely from the revenues pledged to its payment and that the municipality or joint agency is not obligated to pay the principal or interest except from these revenues. A bond that is not issued to pay the cost of a project shall recite in substance that the principal of and interest on the bond is payable and secured as provided in the resolution authorizing the bond or the trust agreement securing the bond. (1975, c. 186, s. 1; 1991, c. 513, s. 6.)